



Better Stock After Q3: Royal Bank of Canada (TSX:RY) or Canadian Imperial Bank of Commerce (TSX:CM)?

Description

As the first batch of third quarter bank earnings began to trickle in, I'd discussed why bank stocks were a [solid bet](#) as August winds to a close. The stabilization of the broader housing market in Canada was one of my top reasons for optimism, in addition to rising rates, which have been a boon for earnings in 2018 so far.

Today we are going to discuss two of the top Canadian banks that have already released earnings in the third quarter. Which should you stash in your portfolio today? Let's take a look.

Royal Bank of Canada ([TSX:RY](#))([NYSE:RY](#))

Royal Bank stock was down marginally as trading came to a close on August 24. The stock is up 0.96% in 2018 so far and 11% year over year. Royal Bank released its third-quarter results on August 22.

The bank reported record earnings of \$3.1 billion in the third quarter, which represented an 11% increase from the prior year. It also posted diluted earnings per share growth of 14% to \$2.10. Both net income and diluted EPS were also up 2% from the previous quarter. The Personal and Commercial Banking segment saw net income rise 8% to \$1.51 billion on the back of residential mortgage lending growth, commercial lending, and deposit growth. Royal Bank also posted double-digit net income growth in its Wealth Management and Capital Markets segments.

The board of directors announced an increase to its quarterly dividend of 4% to \$0.98 per share payable on November 23, 2018.

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#))

CIBC stock has been mostly flat in 2018 so far. However, shares have surged 6.7% over a three-month period as of close on August 24. The stock is also up 15.7% from the prior year. Back in late July I'd discussed why CIBC stock was the premier choice for investors looking for bank stocks that offered [top shelf income](#).

CIBC released its third-quarter results on August 23. Net income surged 25% from the prior year to \$1.36 billion with adjusted net income climbing 20% to \$1.39 billion. Diluted earnings per share also rose 16% to \$3.01. Canadian Personal and Small Business Banking net income climbed 14% year-over-year to \$639 million and Canadian Commercial Banking and Wealth Management increased 20% to \$350 million. Once again its U.S. Commercial Banking and Wealth Management segment reported huge year-over-year growth of 295% to \$162 million due to the inclusion of CIBC Bank USA for the full quarter.

The board of directors also declared a \$0.03 dividend increase to a quarterly dividend of \$1.36 per share. This represents an attractive 4.4% dividend yield.

Which should you buy today?

In truth I like both stocks as we head into the fall, but CIBC is my favourite target today. Both quarterly reports were very impressive but CIBC's rock solid dividend edges out Royal Bank in late August.

CATEGORY

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2. NYSE:RY (Royal Bank of Canada)
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